

**Department of Veterans Services Plan of Correction for  
Auditor of Public Accounts Audit Report  
for the Period January 1, 2005 through March 31, 2006  
November 15, 2006 Status Update**

**Introduction**

Listed below is the current status on the Department of Veterans Service Plan of Correction submitted on August 15, 2006. Those actions that have been completed show what actions have been taken. Current status and actions taken to date are given for those points that have not been completely corrected.

Improvements have been made in the overall finance and administrative management and further changes are anticipated as a result of additional personnel changes. Presently, the procurement and contracting functions are being performed by a contract staff person who have over twenty years of experience in the field and is both CPPB and VCO certified. This type of arrangement which is working well, is providing excellent one on one training to the purchasing assistant position and is expected to continue until the opening of the new care center in Richmond in the spring of 2007. At that time, it is anticipated the overall oversight of procurement and contracting will come from staff in Richmond.

In October 2006, the finance office was restructured so that the general accounting, accounts payable and payroll staff reported directly to the financial manager position for the care center. This was structured so that financial manager position was overseeing the operations of the care center only and the Director of Finance and Administration was overseeing the financial operations of remaining DVS functions such as Central Administration, Benefits, Cemeteries and State Approving Authority. This approach, too, was geared toward the transition of functions from Roanoke to the Richmond office to coincide with the opening of the new care center. On November 2, 2006, the Financial Manager resigned and efforts are underway to fill the position as soon as possible.

The implementation of the new financial management system is behind schedule due to technical difficulties with hardware and IT security related issues. It is anticipated that the system could go live and run parallel with CARS in December. The plans are still to run parallel systems for two months prior to converting to FMS II solely and interfacing with CARS.

**Findings and Corrective Action Plans**

Ensure Accurate Time and Leave Reporting

Changes in time sheets have been implemented and now are being reviewed monthly by supervisory staff. New leave slip policies have been implemented and are being monitored. The use of a time clock for Central Administration located in the Care Center has been discontinued and time accounted for consistently with that of Central Administration staff located in the Poff

Building. Scheduled consolidation of staff into one location had been delayed due to delays in construction, however, audit point corrective action plan has been completed..

**Completed Date: November 2006**

**Primary Responsible Staff for Corrective Action: Director of Finance and Administration and Human Resource Manager**

**Strengthen Controls Over the Small Purchase Charge Program**

New policies and procedures identified in August 15 response are still in place and are being monitored closely. Requested August 2006 on site review of the purchasing process for DVS by the Department of General Services (DGS) was been cancelled due to the resignation of DGS staff person who would have been conducting the review. No future date for a review was established, however, DVS has hired a part time procurement/contract staff person who has CPPB and VCO certification. This position is working twenty hours per week and is improving the work flow and giving the Procurement Assistant on hands training on both contracting and procurement issues. Also, administrative staff person at the Care Center who is extremely proficient with small purchase charge program policies and procedures has been assigned the role of assisting other DVS charge card users with problems and questions relating to charge card purchases.

**Completed Date: October 2006**

**Primary Responsible Staff for Corrective Action: Director of Finance and Administration**

**Improve Petty Cash Controls**

New procedures have been developed and implemented to ensure accountability and compliance with DVS and Department of Accounts policies, prior to any check being written and issued. DVS staff has been informed on sales tax exemption requirements for state purchases. Petty cash balances and expenditures are being reconciled monthly by the VVCC Director of Accounting and signed off by the Director of Finance and Administration.

**Completed Date: August 2006**

**Primary Responsible Staff for Corrective Action: VVCC Director of Accounting and Director of Finance and Administration**

**Properly Report Construction in Process**

Construction in Progress was included on financial statements for fiscal year 2006. FAACS files still need to be updated to reflect proper information.

**Completion Date: November 2006**

**Primary Responsible Staff for Corrective Action: Director of Finance and Administration and VVCC Director of Accounting**

**Establish and Implement Adequate Policies and Procedures for the Veterans Services Foundation**

A draft policy and procedure document was presented to the Veterans Services Foundation Board of Trustees (Board) in July, detailing new policies and procedures governing the handling and disbursement of donated funds. The new policy and changes in procedures were well received by the Board. Recommendations for edits and changes from the Board were made and were scheduled to be presented to the Board at the October 2006; however, that meeting was cancelled. Final presentation and implementation of plan is now scheduled for December 2006.

**Completion Date: December 2006**

**Primary Responsible Staff for Corrective Action: Director of Finance and Administration and Director of Policy and Planning**Establish Process for Determining Negotiated Rates

Procedures have been established and implemented to determine negotiated room and board rates, based on an assisted living facility applicant's ability to pay, taking into account their other recurring expenses. All requests and calculations will be reviewed and approved, as appropriate, by the VVCC Director of Accounting and the VVCC Administrator. These procedures will ensure consistency and equity in determining negotiated rates for assisted living residents.

**Completed Date: August 2006****Primary Responsible Staff for Corrective Action: Chief Operating Officer, VVCC Administrator and VVCC Director of Accounting**Appropriately Allocate Administrative Costs for the VVCC

Changes have been implemented in order to allocate administrative staff time and costs that are directly associated with the VVCC. This will improve the accuracy of costs charged to the VVCC and reduce the risk of receiving inappropriate reimbursements for indirect costs. A more comprehensive department-wide administrative cost allocation review is necessary to assure uniform and accurate cost allocations. It has been determined that sufficient General Fund appropriation is not available in program 499 – Administrative and Support Services to cover all of anticipated expenditures for Fiscal Year 2007. A budget amendment requesting an additional \$400,000 in General Funds was submitted to cover this shortfall in FY 2008. However, Special Funds generated by the Care Center operations will still have to be used to cover this shortfall as well as the \$468,300 FMS Special Fund appropriation identified for program 467 – Veterans Benefits Services for FY 2007.

**Completion Date: July 2007****Primary Responsible Staff for Corrective Action: Director of Finance and Administration and DVS finance office**Information Systems Security Assurance

Access to systems for unauthorized employees identified at the time of the audit has been terminated. A departmental policy was distributed in May 2006, relating to client data and the off-site use of personal or lap top computers. In general, the overall assurance for increased security and development of comprehensive policies and procedures for an agency as small as DVS must come from VITA. The 2006-2007 agency contract with VITA has been amended to include the provision of additional information systems security assistance on infrastructure devices and risk analysis, and to deploy the appropriate controls and or appropriate corrective action plans. The current IT director is retiring on December 31, 2006 and the position will be filled with a staff person with specific qualifications to focus on improving policies, procedures and internal IT technology.

**Completion Date: July 2008**

**Primary Responsible Staff for Corrective Action: DVS IT Manager, Director of Finance and Administration, VITA**

Improve Petty Cash Records and Compliance Requirements

New procedures have been developed and implemented to ensure accountability, compliance with DVS and Department of Accounts policies and accuracy prior to any check being written and issued. DVS staff has been informed on sales tax exemption requirements for state purchases. Petty cash balances and expenditures are being reconciled monthly by the VVCC Director of Accounting and signed off by the Director of Finance and Administration.

**Completed Date: August 2006**

**Primary Responsible Staff for Corrective Action: VVCC Director of Accounting and Director of Finance and Administration**

Comply with Commonwealth Human Resource Overtime Standards

Changes in procedures and employee practices have been implemented to restrict earning overtime and compensatory time to those specified in DHRM regulations. Fair Labor Standards Act training was conducted in August, 2006 for further education of staff on the earning and reporting of overtime and compensatory time.

**Completed Date: August 2006**

**Primary Responsible Staff for Corrective Action: Human Resources Director**

Implement and Monitor Procedures to Ensure Proper Use of Funds

Changes in the classification of Federal VA subsidy funds from non-general funds to Federal Trust in the Commonwealth Accounting and Reporting System (CARS) and the state budgeting process were implemented at the beginning of fiscal year 06-07 or July 1, 2006. Financial Statements for FY 06 will be noted and adjusted to address the proper classification of these funds as well as in the Schedule of Expenditures of Federal Awards. The usage and budgeting of the VA subsidy has been the subject of internal study since February 2006, and DVS staff identified the incorrect classification of these funds internally before the APA audit was conducted. A plan is being developed for utilization of these funds as part of the operating and capital budget for the care centers as well as for providing financial assistance to veterans that may have inadequate resources to fully meet the charge rates. Final implementation of the

budget and policy changes relating to the use of these funds may include policy recommendations by the Board of Veterans Services and action by the state legislature. Appropriations adjustments to show Federal Trust as a funding source for the Care Center operations have been processed by DPB and are reflected on CARS documents.

**Completion Date: July 2007**

**Primary Responsible Staff for Corrective Action: Director of Finance and Administration, VVCC Director and VVCC Director of Accounting**

Improve Bad Debt Collection Efforts and Account Write-Offs

New debt collection procedures are being formulated to ensure timely action and follow-up on delinquent accounts. Accounts will be properly classified according to payment source. Supporting documentation will be maintained on all correspondence and collection issues. Accounts Receivable will be reviewed no less than quarterly to determine problems or anomalies which need attention.

**Completed Date: November 2006**

**Primary Responsible Staff for Corrective Action: Director of Accounting for VVCC**

Establish a Memorandum of Understanding with the Department of General Services

A formal agreement for support from DGS for Capital Construction and Procurement Assistance was developed and signed.

**Completed Date: October 2006**

**Primary Responsible Staff for Corrective Action: Director of Finance and Administration and DGS staff**